United States
Department of Agriculture

Foreign Agricultural Service

April 1987

Foreign Agriculture

Bright Ideas on Exporting to Japan

Marketing News

California Ag Pavilion Sails to Pacific Rim

The **California Department of Food and Agriculture** recently sent the California Maritime Academy's training ship, the *Golden Bear,* on a goodwill mission to the Pacific Rim. The ship was loaded with California agricultural products, designed to "bring a taste of California to key business leaders and government officials at receptions in Japan, Hong Kong, Singapore and the Philippines," said Clare Berryhill, department director.

"Taste the Californias" was the theme of the event, which offered guests a sampling of premium wines from 67 California wineries and a variety of quality foods from the state's fields and orchards. Thirty company booths on board ship represented 250 of California's agricultural commodities ranging from olives, honey, tomato products and canned fruit to cornnuts, cheese, whey protein and quality meats.

Six educational exhibits displayed the quality and abundance of the state's agricultural production, showing where and how major crops are grown and produced, along with panels featuring the state's top farm commodities and leading agricultural exports.

The variety and quality of California's agricultural products also were promoted last fall in Singapore at Cold Storage Supermarkets' Sunny California Food Fair. "With its dynamic growth in the past 25 years and its demand for quality food, Singapore is becoming an even more important market for California's quality commodities," Berryhill said.

The program with Cold Storage provided an opportunity for the people of Singapore to sample many California foods that were available for purchase. Oranges, table grapes, melons, lettuce, garlic, kiwi fruit, apple juice, apples, pears, artichokes, pomegranates, pumpkins, persimmons, avocados, celery, dates, nuts, turkeys, processed meat products, canned cling peaches, fruit cocktail and wines were all featured.

Michigan Department Of Agriculture Opens Brussels Office

The **Michigan Department of Agriculture** recently opened a new European office in Brussels. The office will serve European and African markets, which "offer excellent potential for growth in sales of Michigan's food and agriculture products," according to Dr. Burton D. Cardwell, Chief Deputy Director. "The office will be a one-stop center for foreign importers seeking Michigan products and investment," he added. It will provide such services as trade and trade exhibit information, test marketing, label clearance, importer information and product display.

Countries served by the office will include West Germany, the United Kingdom, Italy, France, Netherlands, Belgium, Spain, Portugal, Switzerland and Scandinavia. Michigan's Brussels office also will service the African market.

Louis Berman has been named Director of European and African Operations. For further information, contact the Brussels office directly at 41 rue Ducale, 1000 Brussels, Belgium, Tel. (02) 511-13-71, or through the Michigan Department of Agriculture, Agricultural Development Division, P.O. Box 30017, Lansing, Mich. 48909, Tel. (517) 373-1058. TELEX 329-440.

USW Singapore Technicians Travel to Thailand

Two **U.S. Wheat Associates (USW)** bakery, biscuit and noodle technicians from Singapore recently visited USW's third-party cooperators in Thailand, where they were acquainted with USW activities in Bangkok. They also traveled to northern Thailand to observe experimental wheat-growing areas and to survey the utilization of wheat flour by endusers. Wheat-based foods are becoming popular there, with the development of bakeries and noodle makers in Chiangmai, Thailand's second largest city.

The faculty of the Agriculture Department of the Chiangmai University, and the Agricultural Research and Training Centre in Lampang have conducted a series of wheat food programs for instructors, home economics teachers and housewives. Due to the lack of the updated baking information in these training centers, the groups requested assistance from the USW representatives in conducting seminars on Chinese wheat-based products and noodles.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

Managing Editor
Lynn K. Goldsbrough
(202) 382-9442

Design Director
Vincent Hughes

Writers
Linda Habenstreit
Edwin N. Moffett
Sally Klusaritz
Jennifer M. Smith

Associate Designer
Richard J. Barnes

Text of this magazine may be reprinted freely. Photographs may not be reprinted without permission. Contact the Design Director on (202) 447-6281 for instructions. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or the Foreign Agricultural Service. The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through March 31, 1987. Yearly subscription rate $11.00 domestic, $14.00 foreign. Order from Superintendent of Documents, Government Printing Office, Washington, DC 20402.

Features

Marketing Expert Shares Tips on Doing Business in Japan 4

As the world's top importer of agricultural goods, Japan presents excellent opportunities to U.S. exporters willing to adapt to a structured market.

New Certification Program Gives Better Access to Japanese Market 9

As a result of a new certification program, U.S. exporters of processed food products will have better access to the Japanese market.

Beating the Oversupply Problem With Smart Marketing 10

The agricultural glut that exists today is creating stiff competition among companies requiring unique and imaginative products and marketing techniques.

U.S. Wood Products Make Music in Korean Market 12

Korean makers of musical instruments and furniture have U.S. exporters of wood products humming a happy tune.

Singapore's Health Food Business Poised for Expansion 17

Affinity of Chinese-origin consumers with natural cures and health processes sparks strong growth in Singapore's health food industry.

Biggest Potential Feed Grain Markets Are Middle-Income Countries 18

Demand for meat is gaining fastest in middle-income countries, which makes them especially good bets for expanding feed grain sales.

Rising Incomes Encourage Coarse Grain Use in Developing World 20

As economic growth takes place in the developing world, meat production—and coarse grain use—frequently shows substantial gains.

Departments

Marketing News 2

Fact File: The Dairy Export Incentive Program 15

Country Briefs 21

Marketing Expert Shares Tips on Doing Business in Japan

The University of Maryland's International Business and Management Institute (IBMI) in Tokyo offers training and education programs to the business community in Japan. It provides programs in international business and intercultural communications to Japanese corporations, and programs for doing business in Japan for American corporations. The overall mission of IBMI is to prepare businesses and their managers for conducting business in the international arena. The following interview, conducted by ***Foreign Agriculture,*** *is with James A. Cramer, Executive Director of IBMI in Tokyo.*

Q. Would you tell our readers some of the ways your group provides assistance to exporters?

A. First, we offer training programs for U.S. firms interested in doing business in the international arena.

Recently, for example, we conducted a seminar in College Park, Maryland, on doing business in Japan. The purpose of this seminar was to point out the market opportunities that exist in Japan, and some strategies for dealing with the many problems and obstacles that exist in that market.

We also arrange business tours to Japan and other East Asian nations and assist U.S. business people in their preliminary excursions into Japan. With offices in College Park and Tokyo, we are in a very good position to work closely with U.S. business on both sides of the Pacific.

Q. What are some of the opportunities and obstacles U.S. agricultural exporters might encounter in Japan?

A. With respect to opportunities, Japan is the world's No. 1 importer of agricultural products. As the Japanese continue to adopt a more varied life style, including changes in dietary habits, the opportunities for exporting a wider range and a greater volume of agricultural products should be even better.

The major problem is, of course, that the Japanese market is highly structured. If it were only a matter of supply and demand, then U.S. producers of agricultural products would have a field day in Japan.

Unfortunately, the Japanese government traditionally has assumed a very protective role over its agricultural sector. U.S. producers of agricultural products should understand that the issue of importing certain food products in Japan is perhaps the most politically volatile of all of the trade issues.

The Liberal Democratic Party (LDP) in Japan is heavily reliant upon the support of the rural community. And while there is a growing recognition that some of these policies must change, the political resistance is fierce.

Even when members of the Diet (Japan's Parliament) will admit privately that the restrictions on the importation of agricultural products should be changed, they are not always willing or able to take the same stance publicly.

This is why it is so important for the United States and other major producers and exporters of agricultural products to continue to put intense pressure on the Japanese government to liberalize the agricultural market. Without this external pressure, the Japanese government is in a much weaker position with respect to bringing about needed changes.

Q. In addition to the formal obstacles of tariffs and quotas, aren't there also cultural or business customs that work against new entries into the market?

A. Yes, not only for foreigners, but for Japanese business people as well.

Most Japanese business people are reluctant to disrupt existing business relationships. Whether it is switching products, suppliers or companies, there is a presumption that existing relationships will be maintained to the extent possible.

"If it were only a matter of supply and demand, U.S. producers of agricultural products would have a field day in Japan."

There is also the Japanese distribution system, which involves as many as three or four intermediaries before end-use. This makes foreign products especially costly for the Japanese consumer. For industrial or institutional users who can bypass some of these primary and secondary wholesalers and retailers, the problem is not quite so severe.

Most of the difficulties can be solved, but with two caveats. Producers or their representatives must have products that are valued by the Japanese, and they must have the patience to do business Japanese-style.

How well U.S. business people do in this market will depend to a great extent on how hard they are willing to work to provide the kind of quality products that the Japanese want, and their willingness to forsake short-term profits for long-term presence in the market.

While I think governmental and private sector bodies must continue to pressure Japan to dismantle the protective structure over the agricultural sector, we must be ready to move to meet the increased demand for a wide range of high-quality products.

Q. How would you characterize Japanese consumers? Have there been any changes which might predispose consumers toward Western goods?

A. Japanese consumers demand quality and are willing to pay for it. In certain kinds of products—wine, chocolates and cheese, for example—it often is assumed that foreign products are superior to domestic ones.

The problem is getting the products on the shelf and introducing them in a way that appeals to the consumer. This means that factors such as packaging, size of the unit and presentation of the product must conform to Japanese consumer expectations.

For example, there is a successful cookie enterprise owned and operated by an American in Tokyo that reportedly spends 25 percent of the retail cost of the product on packaging. While this may be an extreme, it illustrates the importance of the appearance of a product to the Japanese consumer.

Another characteristic of Japanese consumers is that while they expect high quality for price, price is not the most important consideration. In fact, one interesting turn of events with respect to the devaluation of the dollar is that certain foreign products that had previously been viewed as high-status items, now are viewed as less exotic, less attractive.

This means that the marketing strategy for the items must change and a broader market must be developed, or else the product probably will suffer depressed sales.

Through trade shows and import fairs, Japanese consumers have developed a heightened sensitivity for foreign products. However, many of them still view foreign products as luxury items. This could change as the strong yen results in more reasonably priced products over a wide range of goods.

Overall, I think it is safe to say that we can expect growing awareness and receptivity on the part of Japanese consumers toward imported products. I should add quickly that agricultural products have an especially bright future over the long run.

Q. Can you recall some success stories, or even failures, that demonstrate how to do business or not to do business in Japan?

A. We tend to emphasize the extremes, pointing out such successes as McDonald's, Kentucky Fried Chicken and Nestle's, and the spectacular failures, such as the U.S. automakers. In the middle, however, there are numerous success stories, that while not spectacular, are noteworthy.

"Japanese consumers demand quality and are willing to pay for it."

In the agricultural area, for example, the California Almond Growers Exchange has captured some 70 percent of the Japanese market. This is after beginning an export program in Japan in 1969.

What is important for U.S. business people to remember is that the Japanese market is indeed very competitive. Particularly in sectors where the competition from other foreign producers is great, the temptation to go for higher profit margins must be resisted at all cost.

I've recently heard rumors that some U.S. companies, capitalizing on the weak dollar, are holding the prices on their products. While this understandably leads to higher short-term profits, in the long run it is a very poor policy for doing business in Japan. My view is that these companies are missing an opportunity to improve their market share.

". . .agricultural products have a bright future over the long run."

By working out agreements with brokers, wholesalers and retailers to pass savings on to end-users, U.S. companies have an excellent opportunity to pursue an aggressive campaign to capture a larger share of the lucrative Japanese market.

Another mistake that is too often made by American business people is that they find themselves arguing with their representatives or agents about the specifications or characteristics of their product.

The Japanese are sticklers for appearance. Even in unfinished wood products, they sometimes expect a level of perfection that would appear to have absolutely nothing to do with the use of the product.

Some exporters try to convince the Japanese that the finishing requirements or the appearance requirements are totally unnecessary. A more prudent approach would be to try to meet the specifications of the users.

Remember, these distributors, wholesalers and retailers have to base their purchases of products on what will appeal to the Japanese—not a producer's perception of what the Japanese ought to like.

As far as other pitfalls to avoid, a sure formula for failure in Japan is to be an unreliable supplier. You can be fairly sure that if you do not meet delivery schedules, you will be replaced by someone who will. While reliability in general is seen as a very desirable business trait, reliability as a supplier is an absolute must. Late deliveries will seriously wound your operation. Failed deliveries will kill it.

Q. If you were going to begin exporting agricultural commodities to Japan, what would be your first step?

A. The first thing I would do is see if there is a market for what I had to offer. Artichokes might be a craze in the United States, but the Japanese might not eat them if they were free.

There are numerous ways to gather this kind of information on the Japanese market. The Japanese External Trade Organization (JETRO), the American Chamber of Commerce in Japan and the commercial office of the U.S. Embassy in Tokyo, among others, provide free information regarding the Japanese market and doing business in Japan.

U.S. exporters specifically interested in agricultural products should consult with USDA's new agricultural trade office in Tokyo or the Foreign Agricultural Service at the U.S. Embassy in Tokyo or its Washington, D.C. offices.

In addition, there are an increasing number of marketing and consulting firms that will provide recent information, or conduct market research for you, for a fee. Then there are numerous trading companies in Japan.

While we tend to hear the very big names, such as C. Itoh, Mitsui and Mitsubishi, there are more than 8,000 trading companies of all sizes operating in Japan. Some are small and specialize in certain kind of products, including agricultural products, processed foods and specialty items.

The point is that there are many sources of information on marketing products in Japan. Before attempting to penetrate this market, business people must do their homework. Sizing up the market condition is an essential part of this.

Q. Once an exporter has determined that there is a market, or there could be a market for a particular commodity, what is the next step?

A. Producers or suppliers should consider the kind of entry strategy that would be most effective and would fall within their financial means. Cost is a point not to be overlooked as it is very expensive to set up an operation in Japan.

If a cooperative or corporation wishes to establish an independent presence in Japan, they should think carefully about the expense of having their own agent or representative. In some cases, it may be better to work through a broker, trading company, department store or another type of intermediary.

A two- or three-tiered entry strategy into the Japanese market might be the most effective plan, considering risk, capital and effectiveness. Thus, there should be nothing in any agreement that would preclude opening an office at a later time in Japan.

Many blunders are avoidable if people would only take the time and effort to do their homework. In fact, one of the main reasons that the Japanese are so successful in their export operations is that they are usually well prepared in virtually every aspect of marketing and servicing their products abroad.

"Late deliveries will seriously wound your operation. Failed deliveries will kill it."

Q. How sensitive are the Japanese to the current trade imbalance with the United States? Do you think they will make any fundamental changes to correct the situation?

A. The Japanese are extremely sensitive to the trade imbalance, although I doubt it can be contributed to altruism. They see a continuation of the inflated trade surplus on their part as a threat to their continued access to U.S. markets. They also realize that, in the long run, the U.S. trade deficit and soaring national debt will have a disruptive effect on the U.S. economy and, therefore, their own interest.

It is also important to understand that many Japanese see the trade surplus as a temporary phenomenon. They look at a strong yen, increased competition from East Asian nations, a revived competitiveness among U.S. and European business and the possibility of higher oil prices as factors that will work against the Japanese in the long run.

While American and Europeans tend to focus on the present, the Japanese always have an eye cast on the long term. In this respect they look at sagging exports, falling profits and a sluggish world economy as the wave of the near future. ■

It is important to take a broad perspective when looking at the Japanese market. In particular, it is essential to keep an eye on competition from all parts of the globe. Developments in enhanced agricultural technology in East Asian nations in particular ought to be monitored for their implications on the Japanese market.

Finally, anyone interested in the Japanese market ought to take the time to learn about Japanese life and culture, as well as business practices. A sensitivity to values and customs not only provides a better understanding about the Japanese as consumers, but also makes it easier to do business in a mutually satisfying way.

New Certification Program Gives Better Access to Japanese Market

By H. Michael Wehr

U.S. exporters of processed food products will have better access to Japanese markets thanks to a new food certification program available through the Japanese Ministry of Health and Welfare and cooperating U.S. certification laboratories.

Under the new program, the Japanese ministry will now accept analysis and certification prepared by U.S. laboratories for processed food products where the results of the tests will not, or could not, change during transit to Japan.

These include tests for pesticide residues, food additives and preservatives and trace elements.

Microbiological and other tests for pathogens, such as aflatoxin, where the result could change during shipment are not included in the new program. These tests must still be performed, where applicable, by Japanese laboratories.

Pre-Testing Eliminates Dockside Testing

Pre-tested U.S. food products will move to markets more efficiently because the need for dockside testing in Japan has been eliminated.

Additionally, processors and exporters can now ship their products with the assurance that their products have met the strict test requirements of the Ministry of Health and Welfare.

This will prevent the rejection of goods upon arrival in Japan—rejection that can prove extremely costly due to product loss, transshipment or outright return of product to the United States. Up front, product pre-testing costs are small in comparison with the risks and expense of dockside testing in Japan.

How the Certification Process Works

U.S. firms that would like to have their products tested should work with their importer to identify the tests needed. Test requirements can be supplied to the importer by the Japanese Port Authority at the port of importation.

The U.S. agricultural trade office in Tokyo also can assist in this area if the importer cannot identify the product test requirements. (See address listed at the end of this article.)

Testing of sufficient samples to be representative of the lot must be done and costs of testing must be borne by the companies involved.

Each shipment of product will require a separate certificate unless the same lot of product is used for multiple shipments. In such cases, one certificate is good for a six-month period.

How To Apply for Laboratory Approval

Government and certain other laboratories are eligible for participation in the program. Interested laboratories must submit a complete application to the director of the Food Sanitation Branch, Japanese Ministry of Health and Welfare.

This application includes description of the laboratory's qualifications, including testing capabilities, personnel qualifications, testing procedures and equipment, quality assurance and accreditation programs.

Over 500 laboratories have been approved worldwide by the Ministry of Health and Welfare Official Laboratory Program. However, only a handful in the United States have been approved.

The Oregon Department of Agriculture is the only approved laboratory for general testing. Twenty other laboratories have been approved for limited testing on alcoholic beverages or bee pollen.

Oregon Agriculture Benefits From Testing Laboratory

Pacific Rim trade, particularly with Japan, is an important aspect of Oregon's economy. The Oregon Department of Agriculture maintains an active market development program for Oregon's agricultural community, including its food processors.

As a part of this program, the department initiated and received approval from the Japanese Ministry of Health and Welfare as an official testing laboratory.

Thus far, the program has been a success. Oregon food processors are becoming more aware of the program and using it to certify fruit products, wine and processed meat products for export to Japan. The laboratory does both routine and problem-solving work. Occasionally, it also does work for out-of-state food processors.

The Japanese Ministry of Health and Welfare Official Laboratory Program represents an important step for food processors in developing access to the Japanese market.

U.S. food processors are encouraged to use the program and to encourage other U.S. laboratories to become accredited under the program.

For more information about the testing certification program, contact:

Suzanne Hale
Agricultural Trade Officer
American Embassy
Box 241
APO San Francisco, CA 96503

Dr. Michael Wehr
Administrator
Laboratory Services Division
Oregon Department of Agriculture
Salem, OR 97310-0110 ■

The author is administrator of the Oregon Department of Agriculture's Laboratory Services Division, Salem, Ore. Tel. (503) 378-3793.

Beating the Oversupply Problem With Smart Marketing

By James E. Tillotson

In his remarks at USDA's annual Agricultural Outlook Conference, James E. Tillotson, Vice President for Technical Research and Development for Ocean Spray Cranberries, urged agribusiness representatives to develop "smart marketing" approaches to today's oversupply problem. Ocean Spray has extensive experience marketing abroad and has been part of FAS' Export Incentive Program since 1962.

While Tillotson concentrated primarily on the domestic market, his advice applies as well to the export market, where oversupply and increased competition have forced exporters to re-examine their marketing approaches. Tillotson's emphasis on developing new markets, using creative tactics in marketing, meeting customers' needs and operating in a buyer's market still apply, whether you're marketing in Paris, Texas, or Paris, France.

Since the turn of the century, technological advances have allowed the United States to increase productivity and efficiency in agriculture. However, with this technical success has come the problem of oversupply.

Further compounding the problem is the increased productivity and efficiency of other countries as well—including former U.S. markets. They have become self-sufficient in agricultural commodities; some are even producing for export.

Further down the food product chain in retail products, food companies are facing the same dilemma. There is more than adequate production for most types of foods and more than adequate food processing capabilities to satisfy even the most optimistic projections for the domestic market.

Also, like agricultural commodities, food products are beginning to come under increasingly competitive pressure from imported products.

The New Marketing Challenge

The challenge today in agriculture and food production is to develop new and profitable markets for agricultural products and U.S. food processing plants.

For years, there has been a premium on production in agribusiness and not enough thought and effort on the other side of the equation—the creation of new uses and products for U.S. agricultural commodities.

The reality of the current agricultural glut is forcing a change in priorities. The United States is being forced to move from a production emphasis to a marketing mode. This change in strategy is further along in food processing than in other segments of agribusiness.

Creative Companies Will Attract Buyers

In modern supermarkets, consumers are offered a minimum of at least 17,000 types of food products. They face a bewildering number of choices of all types of food, both domestic and imported.

Outside the supermarket, consumers have an ever-increasing array of sophisticated restaurants, efficient fast-food service outlets and institutional feeding organizations ready to satisfy their needs. It is a buyer's market.

How To Operate in a Buyer's Market

This is an opportunity to assess the reality of agribusiness today. There are many role models to emulate in order to be successful in agribusiness.

Many companies are using creativity and innovation to develop new markets for their products. These products meet consumer needs and wants and deal with the reality of a glut economy. Many companies are beating the oversupply problem with smart marketing approaches by creating new products. At the same time, they are using the surplus crops resulting from hyperactive production.

Turning Setbacks Into Successes: Two Case Studies

For example, the wine industry was plagued by falling consumption, lower prices and a glut of grapes on the West Coast. However, a major California wine company turned this industry decline into a marketing success.

The wine company saw that people wanted lighter beverages, less alcohol and more fruit juice. So, they created the nation's best selling wine cooler. It uses wine, helps reduce the glut of grapes and gives consumers what they want—an acceptable alternative to heavy alcoholic beverages which is probably very profitable at the same time.

In the cranberry industry a few years ago, there was the same need to expand the juice market to handle larger berry crops. Rather than simply push established products, the industry went looking for new concepts—ideas for new juice products that could use cranberries and expand the market for cranberry juice.

Out of this search came the idea of fruit juice blends using some of the specialty berry crops—fruit that had not been used widely in juices.

Out of this was born the successful "CRANRASPBERRY Raspberry Cranberry Drink." In a little more than 24 months on the market, "CRANRASPBERRY Raspberry Cranberry Drink" alone acounts for more than $60 million in annual sales.

It is an example of a new product that consumers want and at the same time finds a profitable use for fruit. The idea is being expanded to other specialty fruits such as blueberries and guavas.

The success of the wine cooler and the cranberry raspberry drink was not luck. It was the result of carefully orchestrated programs by market-oriented companies that realize that not just any new product will win consumer acceptance.

Meeting Consumers' Standards

For a new product to make it in today's competitive environment, it must meet two levels of consumer acceptability:

—Threshold values include sensory attributes such as taste, flavor, smell, texture and color. The quality should be superior to competitors' and attractively packaged.

The concept of threshold values applies not only to new products, but to established ones as well—if they are to prevent the newcomers from replacing them on the shelf.

But threshold values alone are not enough to be a winner in a highly competitive market.

—The product must also have "value-added aspects"—values that clearly differentiate it from the competition.

These are the values used in advertising campaigns. These are the values that consumers will remember when they reach for a product on the supermarket shelf. A winning product, whether it is a new or established one, usually has an easily recognized distinct advantage for its target consumer market.

Correctly or not, the product is viewed as better tasting, more useful, more efficient, of higher quality and having a higher benefit/cost ratio. In the current marketing environment, secondary generic products tend to be losers. There are just too many opportunities to buy food products of the highest quality.

Determining What Will Sell

With successful companies today, the emphasis is on fulfilling the needs and desires of the consumer. This is the strategy for becoming economically viable. This drives companies to determine what their customers want, need, use and will buy.

This is the marketing, rather than the production, approach to food processing and agribusiness in general. And increasingly, technology is being used as the catalyst for marketing strategies.

Research and Development on the Increase

According to a recent issue of *Business Week,* spending on research and development in the food and beverage sector is up. During 1984-85, spending in the food and beverage sector went up 13 percent over the past year of total sales, or approximately 11 percent of profits.

Historically, the industry average for research and development in this segment has barely been one-half of 1 percent of sales. It now reaches eight-tenths of 1 percent.

The average figures hide what aggressive marketing companies are doing. For example, one large food processing firm spends over $40 million per year on research and development while another spends approximately $130 million.

Aggressive consumer goods companies realize there is no way to get their new products accepted or established brands continued without significant investment in technical efforts to develop and improve food products. ■

The author is with Ocean Spray Cranberries, Inc., Plymouth, Mass. Tel. (617) 747-1000.

U.S. Wood Products Make Music In Korean Market

By Elizabeth Berry

The makers of pianos and guitars in Korea have U.S. exporters of wood products humming a happy tune. Rapid growth in the production of musical instruments, along with a burgeoning furniture industry, offer potential for increased U.S. exports of both hardwoods and softwoods.

Although less-expensive hardwoods from Southeast Asia have long been preferred by Korean manufacturers, rising prices for tropical hardwoods is changing that trend. Both U.S. hardwoods and softwoods are being used as alternatives.

Korean importers also report that the quality of tropical wood products is deteriorating, which requires thorough inspection of shipments. This has been another incentive for Korea to seek out different suppliers.

Marketing Success Depends on Suppliers

Marketing specialists say, however, that the key to successful marketing in Korea will depend on how well U.S. suppliers respond to the opportunity. It is especially important that suppliers sell more actively there, rather than depend on Japanese distributors and agents as they have in the past.

As part of the marketing effort, suppliers should provide useful information on U.S. wood species and products. Wholesalers and agents complain that not only is the information inadequate, it generally is printed in English rather than Korean.

Since many importers have only limited knowledge of U.S. woods, exporters interested in developing business in Korea should be prepared to show samples of various species and explain their properties.

Another key factor to remember is that what sells in Sioux City does not necessarily sell in Seoul. U.S. manufacturers must be willing to adapt their products to the needs of the Korean market.

Here is a look at the market opportunities for both hardwoods and softwoods in the Korean market.

Outlook for Hardwoods

Korea's hardwood imports in 1985 totaled 3.4 million cubic meters valued at $366 million. Of that, 82 percent was roundwood and 16 percent was lumber, veneer and other processed products.

Although Southeast Asian hardwood accounted for 96 percent of imports, U.S. exporters had a foot in the door. Hardwood imports from the United States include oak, walnut, maple, basswood, birch, beech, ash, hickory and elm.

U.S. Hardwoods Buck the Trend

Overall, hardwood imports have declined in recent years due to the eclipse of Korea's export-oriented plywood industry by increased production in Southeast Asia. Stagnation in the construction sector also has contributed to the decline. Yet despite this general trend, hardwood imports from the United States have been increasing.

In 1986, Korea's imports of U.S. hardwood totaled $13 million, up from about $9 million a year earlier. The big users were makers of furniture and musical instruments.

Furniture Exports Are Booming

Appreciation of the Japanese yen is a boon to Korean manufacturers of furniture for export, giving their products a substantial price advantage over Japanese furniture. Final figures for Korea's furniture exports—which averaged $44 million over the past five years—may top $70 million for 1986.

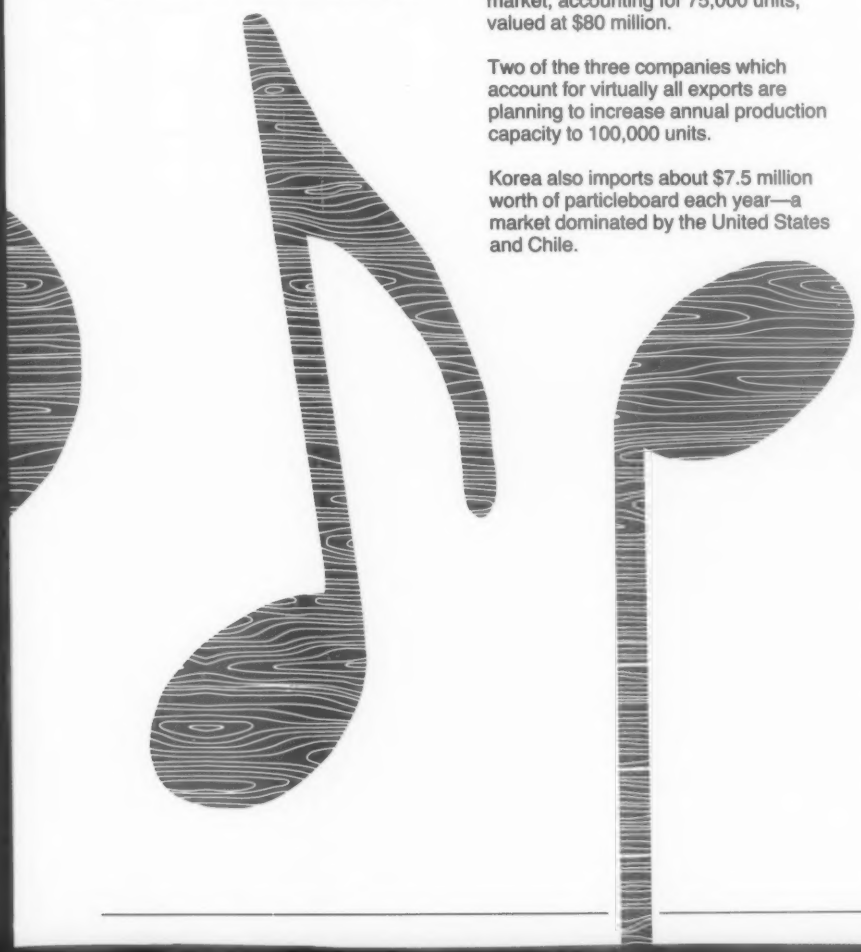
While much of the furniture for the domestic market is made of inexpensive Southeast Asian hardwood and North American softwood veneers, products for the export market are made of high-quality hardwoods—including oak, maple, walnut, ash, birch and beech from the United States.

Eight of the 1,000 Korean furniture manufacturers account for 20 percent of total production and 50 percent of export volume. To minimize shipping costs, most of the major furniture exporters have established assembly operations offshore in locations such as the United States, Hong Kong, Macao and Japan.

Large furniture manufacturers tend to import logs which they process themselves. Small- and medium-sized manufacturers, however, are more dependent on lumber imports.

Tariff Structure Favors Logs

Korea's tariff structure encourages roundwood imports, which are subject to a 5- to 10-percent tariff, in contrast to a 20-percent tariff for lumber and veneer.



Although manufacturers are entitled to tariff rebates for re-exported forest products, this procedure is lengthy and complicated. In order to stimulate export business for the furniture industry, the Korean government intends to streamline the tariff rebate procedure.

Exports of Pianos, Guitars on the Rise

Increased exports of Korean musical instruments also have stimulated demand for U.S. hardwoods. Oak, maple and walnut are used in both piano and guitar manufacture.

Exports increased by about 60 percent from mid-1985 to mid-1986, raising the annual export value to about $100 million. Last year, Korea surpassed Japan as the largest exporter of pianos to the U.S. market, accounting for 75,000 units, valued at $80 million.

Two of the three companies which account for virtually all exports are planning to increase annual production capacity to 100,000 units.

Korea also imports about $7.5 million worth of particleboard each year—a market dominated by the United States and Chile.

Fiberboard Grows in Popularity

Medium-density fiberboard is rapidly gaining in popularity, however, displacing particleboard in furniture manufacture.

The United States supplied 96 percent of Korea's medium-density fiberboard in 1985, more than double the 1984 level. However, annual domestic production, targeted at about 60,000 cubic meters, is expected to begin to displace imports.

Marketing Channels To Consider

Fourteen major companies account for 60 percent of Korea's hardwood imports, often through their offices in countries of origin. There are as many as 1,000 wholesalers in Korea, most of which have branch offices in port areas. Japanese dealers often mediate hardwood sales to Korea.

Large construction companies and furniture manufacturers tend to import wood and wood products directly. These companies are relatively familiar with U.S. hardwood species.

On the other hand, most small manufacturers, particularly in provincial areas, depend largely on specialized traders and local sawmills for their raw materials. Consequently, traders and middlemen should not be overlooked in U.S. hardwood promotional efforts since they often are the channel by which new species are introduced.

Outlook for Softwoods

Korea imported 2.2 million cubic meters of softwood in 1985 valued at $178 million. That figure increased by 9 percent for the first nine months of 1986 over the same period a year earlier.

The United States accounts for about two-thirds of total sales, with Chile, New Zealand and Canada supplying most of the balance. The primary species imported from the United States is hemlock, followed by Douglas fir, cedar and spruce.

Most of Korea's softwood imports are in the form of logs. Lumber imports are discouraged by a 20-percent tariff, compared to a 5-percent tariff for roundwood. Still, the United States is the largest supplier. In 1986, Korea imported about 8,000 cubic meters of softwood lumber. The United States provided about three-fourths of that quantity.

Large Companies Dominate Imports

Although Korea has about 123 log importers, 14 of them account for about 70 percent of total volume. Most sawmills—except for some larger ones—are suppplied by importers who typically add a 3- to 5-percent commission to cost and freight charges.

Large construction and furniture companies often import directly, frequently from branch offices in the country of origin. Smaller firms obtain their wood from wholesalers or sawmills.

Construction Sector Is Biggest User

The building construction sector is Korea's largest user of softwood. Since reinforced concrete is the primary building material, wood frame construction accounts for less than 1 percent of total building construction. However, wood is used for doors, door frames, kitchen cabinets and interior decoration.

In 1985, 227,000 housing units were built in Korea. Of these, about 95,000 were privately financed structures which tend to be larger and use a greater proportion of wood.

Wood is used in dwellings, restaurants and public buildings to convey a sense of elegance and style. Darker wood paneling and furniture lend a feeling of modern luxury in offices. Varnished lighter wood, particularly in the round, connotes tradition and high social status associated with housing styles of upper class Koreans of the past.

As personal incomes and national wealth increase, demand for wood for decorative uses is expected to expand proportionally.

Wood Frame Construction Eyed

For the foreseeable future, most of Korea's new housing starts will continue to be high-rise units constructed of reinforced concrete. However, some major construction companies are experimenting with wood frame construction for low-rise building such as town houses and single-family "villas."

Builders in coastal areas favor wood frame construction because salt erodes reinforced concrete. Temples also are generally made of wood. Roofing for single family rural homes is primarily metal or tile, but U.S. red cedar is beginning to make some inroads. Given the superiority of softwoods in preventing leakage, this is a potential growth market.

Price will be a key factor in determining whether or not softwoods will be accepted. In addition, wood products must meet fire code regulations. Codes vary from one municipality to the next, but tend to be less stringent in low-density housing areas.

Wood Furniture Demand Grows

Next to construction, the furniture industry is the greatest end-user of wood. Furniture sales more than doubled to $690 million in 1985 from $345 million in 1982, and increased by another 10 percent in 1986.

Increased personal incomes and a growing preference for wood furniture over steel account for most of the growth in the wood furniture industry. Due to its increasing price advantage, softwood is expected to account for a greater proportion of wood use. Douglas fir and hemlock are especially popular for student desks and other inexpensive types of furniture.

The growing export market for Korean furniture also is boosting the demand for softwoods. Furniture exports reached about $70 million in 1986, up from $47 million a year earlier. Douglas fir, spruce and red cedar are favored for home and office furniture.

Uses for Softwoods Expand

Exports of musical instruments also made of softwoods have increased substantially, with an annual export volume of about 100,000 units. Softwood species used in musical instruments include spruce and red cedar.

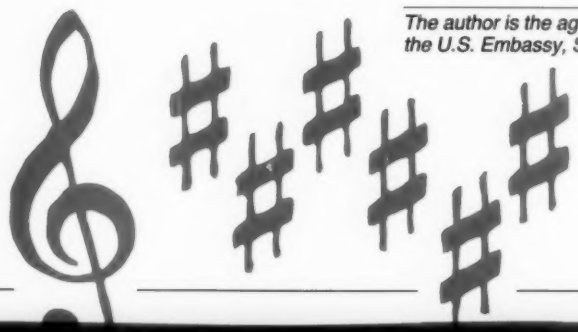
With rapid growth in Korea's industrial export volume, more wooden packaging material also is needed. In particular, office automation equipment requires packaging made of high-quality softwood blends.

Demand for all types of paper goods is increasing rapidly, primarily for the domestic market. Pulp is produced from both domestic and imported forest products, with the government requiring utililzation of 40 units of domestic pulp for 100 units of imported materials. The United States furnishes most of Korea's materials for pulp.

Although Korea is in the early stages of developing a laminating/wood treatment industry, products such as laminated wood beams for public buildings likely will be bought from foreign suppliers.

Treated props for mine pits is another potential market for U.S. suppliers. Currently, untreated pit props are used because Korea's mines are relatively shallow. However, as mines become deeper, the demand for treated pit props is expected to outstrip domestic supply within the next few years. ■

The author is the agricultural attache in the U.S. Embassy, Seoul.



Fact File:

The Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) was announced by the U.S. Department of Agriculture on Feb. 4, 1987, with the goal of enabling U.S. exporters to meet prevailing world prices for targeted dairy products and destinations. The program offers U.S. exporters subsidies—in the form of dairy products in the Commodity Credit Corporation (CCC) stockpile—to help them meet competition from other subsidizing nations, especially the European Community. The program is authorized through fiscal year 1988 by the Food Security Act of 1985.

How Targeted Commodities Are Selected

Only bulk packaged dairy products are eligible for inclusion in the DEIP. To determine eligibility, the following criteria are used: (1) the proposal must increase U.S. exports above what would have occurred without the program; (2) each proposal must target a specific market to challenge only the competitors who overtly subsidize their exports; and (3) a net plus to the overall economy should result.

How Targeted Countries Are Selected

Countries may be recommended for inclusion in the DEIP by USDA program officials, members of the U.S. agricultural community, foreign government officials and others. Selected countries comprise markets in which U.S. dairy exporters are facing subsidized competition from other suppliers. A list of eligible countries appears at the end of this article.

How Sales Are Made

All sales under the Dairy Export Incentive Program are made by the U.S. private sector, not the government. Once an initiative is announced, it is up to U.S. dairy exporters to contact prospective buyers in eligible countries. Exporters and buyers come to a tentative agreement on prices, quantities and other terms of the sale. The sale may be conditioned on approval of the terms of the sale by USDA. Each prospective exporter then submits a bid to USDA requesting a subsidy—or bonus—that would allow the sale to take place at the agreed-upon price. USDA reviews all bids for the competitiveness of the sale in the target country, compares the bids with offers and sales from other U.S. exporters and from competitor countries, and determines the competitiveness of the bonus value requested for each sale and the sales price. USDA has the right to reject any or all bids.

Who Gets the Bonus and How

The bonus is paid to the U.S. exporter, not the target country. It is always in the form of dairy products from the Commodity Credit Corporation stockpile. CCC publishes a catalog of the dairy products and quantities in its inventory. The catalog shows a freight allowance by lot for transportation of the dairy products to the nearest U.S. port. Exporters can select lots of these dairy products as a bonus. Once exporters furnish USDA with evidence that the dairy products have been exported to a target country, they can request delivery of the bonus dairy products. The bonus dairy products are delivered to exporters instore at the storing warehouse. The bonus products must be exported to a country that has an eligible quantity designated for the type of dairy product received in bonus. Bonus dairy products are priced at a world market price determined by CCC.

How Can Exporters Participate in the Program

USDA issues announcements and invitations to exporters to submit bids to CCC for a bonus. To learn how to qualify for participation in the program, interested exporters should contact the CCC Operations Division, 14th & Independence Ave., SW., Washington, D.C. 20250. Tel. (202) 382-9150. Exporters are required to provide CCC with various financial securities to participate in the program.

Allocations for various dairy products are as follows:

Butter-Butter Oil and Anhydrous Milkfat (Metric tons)

Country	Quantity
Algeria	37,500
Chile	3,000
Egypt	29,500
Jordan	2,500
Kuwait	3,000
Mexico	9,500
Morocco	13,000
Nigeria	2,500
Pakistan	2,500
Peru	2,000
Saudi Arabia	20,000
Senegal	2,000
Somalia	1,000
Thailand	2,500
Trinidad and Tobago	1,500
Tunisia	2,500
United Arab Emirates	3,500
Venezuela	300
Yemen	2,500

Nonfat Dry Milk and Whole Milk Powder (Metric tons)

Country	Quantity
Algeria	72,000
Chile	7,000
Colombia	5,000
Ecuador	1,500
Egypt	3,500
Honduras	2,000
Jordan	9,000
Kenya	2,000
Kuwait	8,000
Mauritius	5,000
Morocco	5,500
Mozambique	2,500
Nigeria	19,000
Pakistan	10,500
Peru	14,000
Saudi Arabia	54,000
Senegal	8,000
Somalia	3,000
Sri Lanka	10,000
Sudan	8,000
Tanzania	2,000
Thailand	17,000
Trinidad and Tobago	7,000
Tunisia	7,000
Turkey	500
United Arab Emirates	10,500
Venezuela	67,000
Yemen	12,000

Cheddar and Bulk American Cheese For Manufacturing (Metric tons)

Country	Quantity
Chile	500
Cyprus	2,500
Egypt	33,500
Jordan	5,000
Kuwait	9,000
Malta	2,500
Mexico	500
Oman	1,000
Panama	1,500
Trinidad and Tobago	3,000
Tunisia	2,000
Turkey	1,500
Venezuela	9,000
Yemen	1,500

Singapore's Health Food Business Poised for Expansion

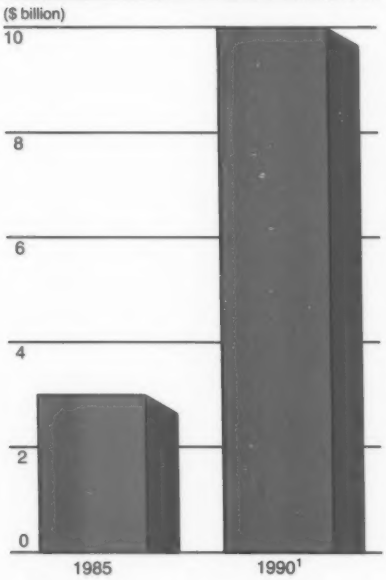
By Peter O. Kurz

In the early 1980s, Singapore's health food sector consisted of little more than a few pills and packages in drugstores, and an odd box of low-calorie desserts in grocery outlets.

Today, Singapore boasts 18 health food stores, with a combined turnover of close to $6 million. Of the seven companies engaged in the business, one is running a chain of nine outlets, and all the others plan to expand. Three of them are poised to expand to Malaysia.

By 1990, the Singapore health food market could be worth $10 million a year—making it a good market for U.S. suppliers, as well as U.S. manufacturers of equipment and accessories for the trade.

Healthy Growth Seen in Singapore's Health Food Market



[1]Projected.

Chinese Traditions Spur Success

Given the affinity of Chinese-origin consumers with what they believe to be natural cures and health processes, it is not surprising that the health food industry has flourished so rapidly in Singapore. As sophisticated as Singaporeans have become in 21 years of self-rule, they have yet to outgrow the Chinese love of involvement with natural health cures.

Moreover, government-approved and media-sponsored campaigns to encourage awareness of the need for exercise, good eating habits and a healthy life-style have been another plus.

Small but Savvy Entrepreneurs

None of the health food stores in operation right now occupies particularly large premises or spends a great deal on advertising. However, they all seem to have a good eye for choosing upmarket locations with heavy traffic, and names that pull in both buyers and browsers. Nature's Farm, American Healthfoods, Healthy Life, and Everything Natural are samples of storefront names that pull in prospects.

Another reason for the growth of Singapore's health food sector is the economy of startup. Not a great deal of space or equipment is needed, with most outlets relying on wall shelves and free-standing displays to hold stock. In fact, a general estimate is $70,000 to $80,000 to open an outlet.

Of course, this may change as stiffer competition brings more sophisticated offerings, and growing numbers of buyers ask for new products they have seen overseas or seen in international magazines.

Frozen and refrigerated health foods and beverages, not yet available to local buyers, will call for different handling and storage techniques, leading to more space and overhead requirements.

At this moment, however, Singapore's health food shops are relatively uncluttered, although the more ambitious ones are staff-heavy. They have to be, to answer the countless questions from customers that are still part of the daily routine.

This is why none of the supermarkets or bigger grocery chains are venturing into the health food business at this time. They realize that consumer education is still a big part of the health food business, and it is likely to continue to be so for some time to come.

When the initial education has been done, however, more stores are expected to get into the act. Drugstores, for example, already have started to add small quantities of bran and other cereal products to their shelves, next to vitamin and perk-up products.

It is likely that they will soon add special sections offering nothing but health food items. Further specialization may follow. ■

The author is the agricultural trade officer in Singapore.

Biggest Potential Feed Grain Markets Are Middle-Income Countries

By Mervin Yetley and Suzanne Marks

To pinpoint the markets of the future for feed grains, it helps to know what's happened to meat demand in the past.

Countries where meat consumption is rising fairly rapidly—more than 2 percent a year—offer good prospects for expanded U.S. feed grain sales, especially if they are not in a position to boost their own feed grain production.

Meat Consumption Determines Feed Needs

Per capita meat demand increases rapidly as diets approach caloric adequacy. Of the 64 countries that currently meet the U.N. Food and Agriculture Organization's daily per capita caloric requirements for an adequate diet, per capita consumption of meat has gone up in 55 countries since the early 1960s.

The growth rate in per capita meat consumption was 2 percent or more in 26 countries, and exceeded 3 percent in 15.

Gains Fastest in Middle-Income Countries

Meat consumption frequently shows faster growth in middle-income countries—those with annual per capita income levels of $2,000-$4,000—than in high-income, industrial countries. Thus, in terms of current and future growth in the demand for meat and meat products—and feed grains—middle-income countries are the better bets as potential feed grain markets.

For example, meat use in Canada rose only 0.9 percent annually while in the United States growth was only about 0.7 percent. In Australia, consumption actually declined 0.5 percent annually. Meat consumption has pretty much stabilized in these countries.

In contrast, a number of middle-income countries have been increasing their meat consumption at a faster rate.

Of course, some countries where meat consumption is rising rapidly are meeting their increased needs through meat imports. However, many are striving to increase their domestic meat production—especially if meat consumption consistently outstrips output, or if there is a desire or need to reduce the dependence on high-priced meat imports.

Biggest Increases in Feed Demand Likely if Meat Output Climbs

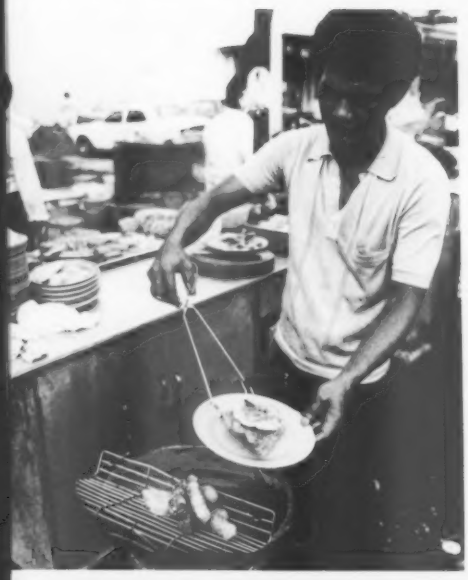
Of the 64 countries with adequate diets, annual growth rates in meat production topped 1 percent in 42 of them. Fourteen of these countries were self-sufficient in coarse grain production and were projected to remain self-sufficient to the year 2000. However, the remaining 28 countries showed large increases in total coarse grain feed use from 1961 to 1982.

The 28 countries with high growth potential for feed grains included three low-income, two lower middle-income, 10 upper middle-income, 10 industrial and three centrally planned economies.

Best Markets for Feed Grains Depend on Strong Growth in Meat Consumption

Country by Economic Grouping	Annual growth during 1961-82 in: Per capita meat consumption	Coarse grain use for feeds
	Percent	
Low-income[1]	2.1	2.7
Guyana	2.9	2.7
Mauritius	3.9	27.2[2]
Benin	1.3	24.6[2]
Lower middle-income	1.2	7.6
Jamaica	3.3	16.3
Indonesia	1.0	2.5
Upper middle-income[1]	3.4	9.3
Greece	4.9	9.5
Korea	5.1	17.4
Portugal	4.0	11.0
Hong Kong	3.1	6.8
Singapore	4.8	4.8[3]
Syria	3.2	6.4
Trinidad/Tobago	2.3	13.2
Israel	3.4	4.9
Malaysia	2.0	12.3
Iran	2.7	6.6
Industrial market	3.3	5.6
Japan	6.9	8.6
Spain	5.6	8.9
Italy	4.2	2.8
Netherlands	2.4	1.8
Finland	2.6	7.7
Belgium/Luxembourg	2.2	1.4
Ireland	1.5	5.0
Switzerland	1.8	5.8
West Germany	1.8	4.4
Norway	0.9	2.4
Centrally planned	1.9	5.8
East Germany	2.2	9.6
Czechoslovakia	1.5	4.5
USSR	2.0	5.7

[1]Group average only includes those countries with data from 1961-82. [2]1977-82. [3]1966-82.



In aggregate, coarse grain feed use in these high-potential countries rose about 6.0 percent annually during 1961-82, which was more than twice as fast as the growth in their own coarse grain production.

Gains in use were particularly large in Korea (17.4 percent), Jamaica (16.3), Trinidad (13.2) and Malaysia (12.3), all of which are middle-income countries. Even higher growth rates were achieved by countries which only recently started a commercial livestock/poultry industry, such as Mauritius and Benin.

For all 28 countries, net imports comprised over half of total coarse grain feed use during 1980-82. Their collective feed use is projected at 188.4 million tons in 1990 and at 239.1 million in 2000.

Livestock Mix Plays a Big Role

The livestock/poultry mix that prevails in the high-growth countries has an important influence on their ultimate feed demand.

Up to now, their demand for, and production of, pork and poultry has been increasing faster than that for beef and sheep and goat meat. Per capita poultry production has led pork production in all countries except Finland and Belgium-Luxembourg.

Since poultry and hogs are nonruminants and cannot utilize much forage as feed, their faster production growth favors increased feed grain demand. ■

The authors are with the International Economics Division, Economic Research Service. Tel. (202) 786-1705.

Rising Incomes Encourage Coarse Grain Use in Developing World

By Gary Vocke

U.S. grain exporters have a sizable stake in the economic growth of the developing world since the dietary changes that frequently occur as incomes rise can add up to big new markets for coarse grains.

Meat, Coarse Grain Use Rises With Income Levels

Per capita income is a major determinant of developing countries' use of coarse grains. Once a country achieves an income level at which average basic cereal calorie requirements are fulfilled and income is available to buy meat, the feed use of coarse grains can increase rapidly.

Each kilogram of livestock production from an intensive production system requires from 2 to 6 kilograms of grains. Consequently, as people in developing countries eat more livestock products, use of coarse grains as feedstuffs can grow rapidly, in fact even more rapidly than income.

Grain Choice Tied to Supplies, Prices and Policies

While corn is the preferred feed for livestock, developing countries frequently substitute other cereals because of supply availability, government policies and relative prices.

For example, in countries where wheat consumption is rising, the use of wheat bran for feed also is rising. In some countries which have become major wheat importers, the use of wheat bran as feed is increasing more rapidly than the use of corn. Heavily subsidized wheat prices also can lead to the use of wheat for animal feed.

Major rice producers depend significantly on broken rice and rice bran as feed sources. For example, 23 percent of the feed used in Thailand's rapidly growing livestock sector is rice, 365 percent is rice bran and 30 percent is corn. Countries with relatively large barley or sorghum crops rely more on these grains.

Poultry and Swine Are Big Users

Over two-thirds of the grains used for feed in the developing countries are probably fed to poultry and swine. Dairy and beef production have contributed little to the demand for feed grains.

Growth rates for broiler production have been particularly strong in the Middle East, Southeast Asia and Western and North Africa.

In each of these regions, the rapid growth has resulted from the introduction of more feed-efficient birds and investment in intensive poultry production units and associated feed manufacturing units.

Egg production also has expanded rapidly in the developing world, although not as dramatically as poultry meat. The growth in eggs also has been associated with implementation of intensive production methods.

The growth in pork production in developing countries, although less rapid than poultry meat and egg production, also has boosted demand for coarse grains significantly. This is because pork production uses more grain per unit of output than poultry.

Under good conditions in an intensive production system, 5 to 6 kilograms of feed are required to produce 1 kilogram of pork, whereas only 2 to 3 kilograms are required to produce 1 kilogram of poultry meat.

The strongest growth in pork production is in Central America and East Asia.

Shifts From Exporters to Importers

As a result of the development and expansion of intensive livestock production systems, a number of upper middle-income developing countries have shifted from being net exporters of coarse grains to net importers.

Today, roughly one-fifth of the corn consumed in the developing world is imported.

The four largest importers are South Korea, Taiwan, Mexico and Egypt, which account for almost one-half of all developing country corn imports. The purchases of the next four largest importers of corn (Brazil, Malaysia, Venezuela and Iran) bring the total up to two-thirds of the corn imports of the developing countries.

Sorghum imports are more concentrated: Mexico, Venezuela and Taiwan account for two-thirds of all developing country imports. Mexico by itself has more than 40 percent of these sorghum imports. Saudi Arabia, Iran, Taiwan and Algeria account for two-thirds of barley imports with Saudi Arabia alone taking more than half.

The United States supplies a significant proportion of the corn and sorghum imported by the developing countries. The small amount of barley exported to developing countries is mostly from Europe. ■

The author is with the International Economics Division, Economic Research Service. Tel. (202) 786-1705.

France

Major Changes Under Way In Meat Distribution

Nearly half of France's beef production is now leaving the meatpacking plant in a processed form rather than in carcasses, according to a recent industry report. This represents a dramatic change from the more traditional ways of distribution by retail butcher shops.

Of the meat processed, semi-processed, deboned cuts accounted for 71 percent in 1985. These items are processed again either by the food processing industry or by meat retailers before they are sold to the consumer. Consumer portion packs, sold directly to retailers, accounted for 10 percent of plant processed meat in 1985. Refrigerated portion packs of such items as hamburger showed a faster growth rate than products using the more advanced technological packaging methods, such as vacuum, deep-freezing and controlled atmosphere. Hamburger meat accounted for 15 percent of plant processed meat.

The report also indicated that the traditional French butcher shop has lost considerable ground in the French marketplace. About 40 percent of French meat production now is sold through hypermarkets or supermarkets, while only 7 percent moves through the traditional retail butchér. Eleven percent is sold through frozen food retail stores and about 20 percent is exported.—*Ernest Koenig, Agricultural Counselor, Paris.*

Japan

Cattle Bones Needed For Film Gelatins

Japan's photographic film makers depend heavily on gelatins processed in Japan from imported cattle bones for their film production. Photographic gelatins are also processed from imported scrap-quality cattle hides and pig skins. Bones from domestic cattle are generally turned into gelatins for edible uses. With the depreciation of the dollar vis-a-vis the yen, an export opportunity may now exist for U.S. cattle bone exports.

Japan requires bone imports, whether raw or semi-processed (called ossein), to be accompanied by an official health certificate of the exporting country. U.S. exports should be certified by USDA's Animal and Plant Health Inspection Service. There are no quota or tariff restrictions on cattle bone imports.

India is the leading supplier of ossein, according to the latest available data, with sales of $9.7 million in 1985, or roughly three-fourths of the import total. China is the top supplier of other bones and horn cores, with sales of $6.1 million in 1985, or roughly two-fifths of the total.—*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Market Good for High-Quality Livestock Genetics

Japan's livestock breeders and producers are interested in obtaining high-quality semen and embryos available in the United States and other countries. The need for increased production and efficiency, as well as a desire to reduce animal health and quarantine problems, has helped to spur this interest. Japan imposes no quota or tariff restrictions on imported genetic materials.

Bull semen exports to Japan began in 1984—mainly for the dairy sector. Japan's dairy herd is composed almost exclusively of Holstein breed animals with a few Jerseys in some areas. Almost all dairy breedings are artificial inseminations and the annual semen requirement is about 2 million units. Bull semen imports (mostly Holstein) in fiscal 1985 totaled 13,000 units (including 7,700 from the United States) and it is estimated that this figure doubled in 1986. Trade sources expect imports to continue to increase in volume and in the share of the overall market, perhaps exceeding 5 percent of total domestic demand in the next three to four years. The lower genetic potential of Japan's domestic bulls, combined with the current milk surplus, is causing dairymen to seek out higher productivity and efficiency through imported genetics.

Japan also is expected to begin importing quality boar semen from the United States when details regarding Japan's requirements for grade certification have been worked out. It is expected that imported boar semen will be used primarily to improve the genetic level of breeding stock rather than for breeding commercial sows. Japan's pork producers need to produce more standardized carcasses in order to compete effectively with imports.

While Japan is interested in acquiring quality bovine embryos from the United States, discussions between the two governments to establish a health requirement protocol and grade certification system have not yet begun. Japan's embryo transfer program is well developed and imported embryos would be used to accelerate improvement in the country's beef and dairy cattle genetics.—*Bryant Wadsworth, Agricultural Counselor, Tokyo.*

Nigeria

Plans Afoot To Expand Grain Storage Capacity

Nigeria's government recently announced an ambitious program for increasing the country's grain storage capacity over the next decade. Currently the lack of modern storage facilities is permitting insects to damage much of the grain harvest—some officials say the loss is as high as 40 percent.

The government is calling for an initial expansion of 250,000 metric tons of storage capacity in 1987, with a target of 1 million tons of storage capacity within five to 10 years. In addition to the national program, state governments also are being asked to establish buffer stocks.

In the past, the country has relied on a constant stream of ships laden with wheat to diminish need for local grain storage and to make up local food shortfalls. However, grain imports have been banned—and government officials have called on private entrepreneurs to take advantage of the ban to develop viable enterprises in grain drying, storage and processing.—*Thomas A. Pomeroy, Agricultural Attache, Lagos.*

United Kingdom

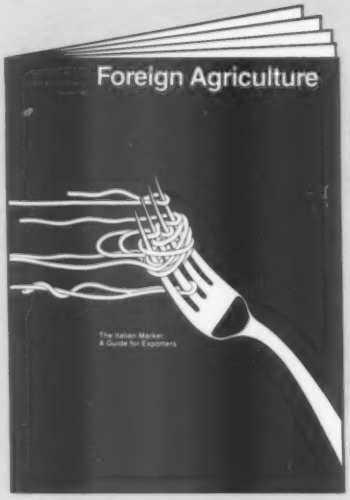
Grain Set-Aside Program Proposed for EC

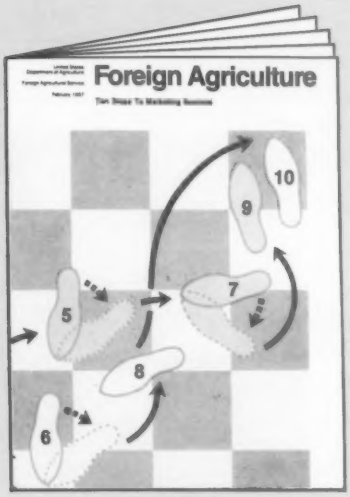
In response to the high costs of financing grain surpluses within the European Community (EC), the United Kingdom recently proposed that the Community adopt a set-aside program that would remove about 11 percent of EC grain area from production. The plan would remove land for a minimum of five years through payment of an annual sum of about $290 per hectare for wheat area left fallow and $58 per hectare for production of non-surplus crops.

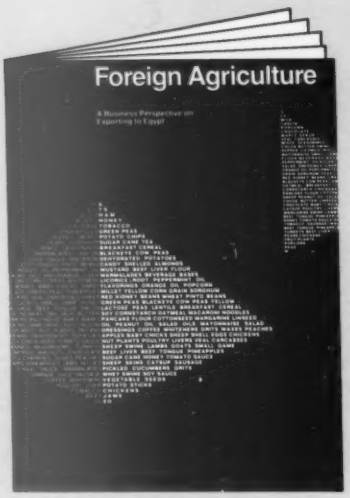
Although there are no immediate prospects that the set-aside plan will be implemented, it is likely that the EC will need to do something about curbing the budget costs for supporting grain surpluses. Many EC members, particularly the northern producers—France, the United Kingdom and West Germany—want to hold budgetary spending growth to around 4 percent. The U.K. proposal, which would shift a large part of the financial responsibility for curbing grain surpluses to national treasuries, would lighten the financial strain of the present EC budget system.

The United Kingdom contributes a hefty 22 percent of the EC budget—and it has long been a proponent of reducing costs. Since joining the Community in 1973, the United Kingdom has seen a significant increase in its self-sufficiency in many basic agricultural products, particularly wheat. Its self-sufficiency in grains has risen from 71 percent to 110 percent since 1975, transforming the country from a net grain exporter into a surplus producer. In fact, the United Kingdom now ranks second only to France in grain exports in the EC. In 1986, the United Kingdom exported a record 8 million tons of grain of which 4 million tons was wheat.

The improvement in grain technology has played a highly important role in the growth of U.K. wheat production. Average wheat yields, which were only 3.92 tons per hectare in 1973, rose to a record 7.71 tons per hectare in 1984—76 percent above 1973.—*Marshall H. Cohen, International Economics Division, Economic Research Service, (202) 786-1716.*







Do you need information about

- Overseas markets and buying trends?
- New competitors and products?
- Trade policy developments?
- Overseas promotional activities?

Then **Foreign Agriculture** — USDA's fact-filled monthly agricultural trade magazine — is for you. Based on official USDA data available nowhere else, **Foreign Agriculture** articles are clear and crisp, written to provide the export information you need, in a concise and extremely readable form.

Special information is found in **Foreign Agriculture**'s telegraphed, targeted news departments: Fact File, Country Briefs and Marketing News. And its tables and graphs will give you an immediate grasp of what's going on overseas.

In addition, periodic special issues—such as the one devoted entirely to the 10 steps of marketing success—will give you a wide range of detailed information about overseas markets.

If you use agricultural facts and figures in your business, you need **Foreign Agriculture**.

Subscribe today! Just $11.00 ($14.00 for foreign delivery) brings you Foreign Agriculture for 12 full months.

SUBSCRIPTION ORDER FORM

$11.00 domestic (United States and its possessions); $14.00 foreign. Send a check for the total amount payable to the Foreign Agricultural Service. Only checks on U.S. banks, cashier's checks, or money orders will be accepted. **No refunds can be made.**

Mail this form to:

Foreign Agricultural Service
Room 4642–S
U.S. Department of Agriculture
Washington, D.C. 20250-1000

Enter My Subscription To FOREIGN AGRICULTURE

Please print or type

Name (last, first, middle initial)

Organization or Firm

Street or P.O. Box Number

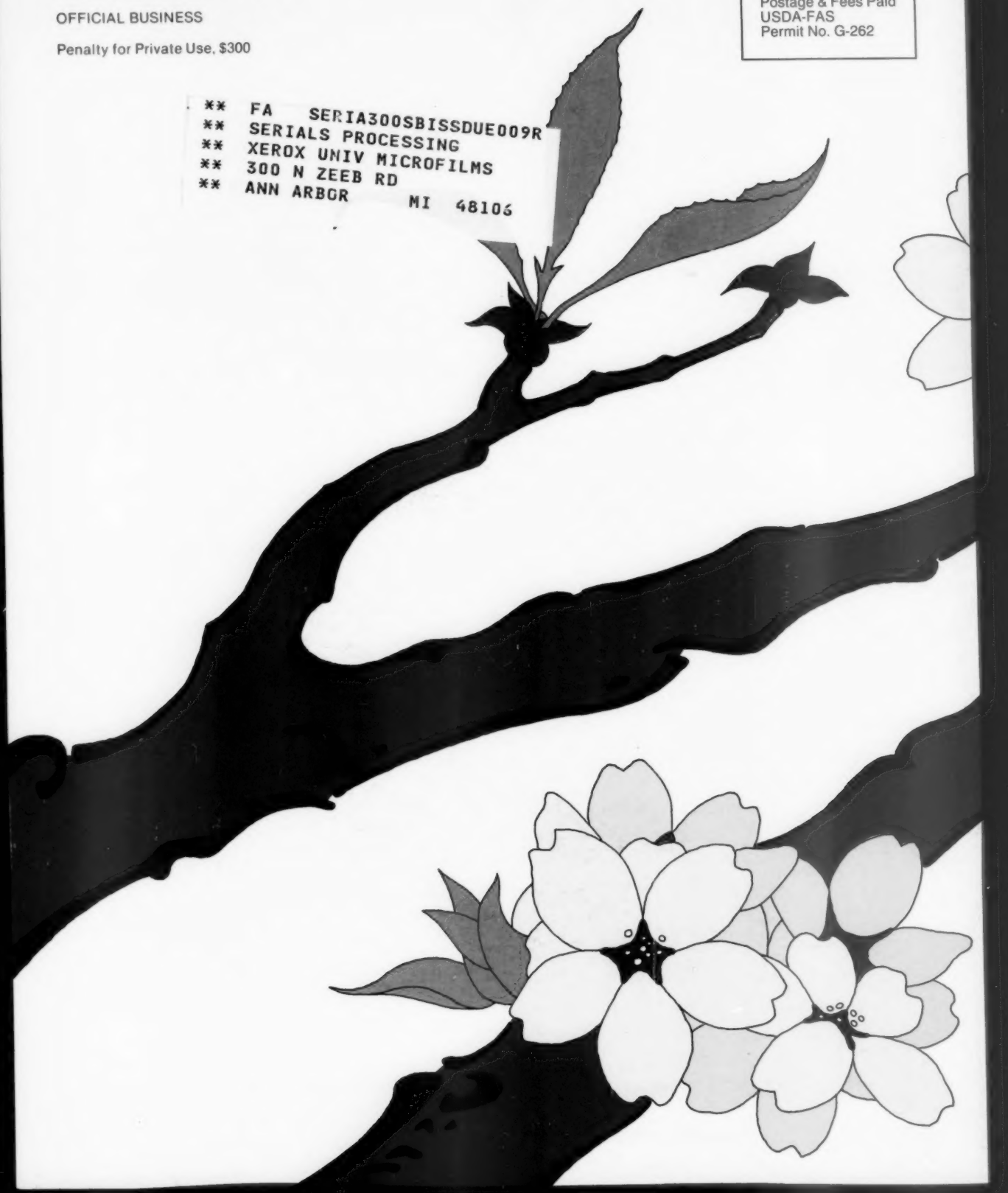
City State Zip Code

Country

United States
Department of Agriculture
Washington, D.C. 20250 - 1000

OFFICIAL BUSINESS

Penalty for Private Use, $300

Third Class
Bulk Rate
Postage & Fees Paid
USDA-FAS
Permit No. G-262

** FA SERIA300SBISSDUE009R
** SERIALS PROCESSING
** XEROX UNIV MICROFILMS
** 300 N ZEEB RD
** ANN ARBOR MI 48106